




Department of Health Care Services
MEMORANDUM

Date: September 16, 2010

To: Rene Mollow, MSN, RN, Chief
Medi-Cal Eligibility Division
1501 Capitol Avenue, MS 4607
(916) 552-9450

From: Alicia Enriquez, Chief 
Internal Audits
1500 Capitol Avenue, MS 2001
(916) 445-0759

Subject: Final Audit Report on the Program Review Section (10010)

Internal Audits has completed its performance review and evaluation of the Program Review Section at the Medi-Cal Eligibility Division (MCED). The Findings and Recommendations, MCED's response, and Internal Audits' comments pertinent to the response are contained in the accompanying report.

As part of its operating responsibilities, Internal Audits is responsible for following-up on all inadequacies and weaknesses identified in this audit report. Typically a corrective action plan, including the status of any action taken as well as any planned action, is due within 30 days from the date of this letter. MCED's response includes the planned action to be taken; therefore, the 30 day corrective action plan is not necessary. However, MCED should submit a status report within six months. Also, an update should be provided every six months until all corrections have been completed.

Pursuant to the Governor's Executive Order S-08-09, Internal Audits' reports will be made available to the public within five working days of finalization. Accordingly, this report will be posted to the internet at <http://reportingtransparency.ca.gov/>.

We appreciate the hospitality and cooperation extended by MCED, and hope that the recommendations will benefit your future operations.

If you have any questions, please call me at (916) 650-0272.

Attachment

cc: See next page.

Rene Mollow
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cc: Tom Welch, Chief
Program Review Section
Medi-Cal Eligibility Division
1501 Capitol Avenue, MS 4607

DEPARTMENT OF HEALTH CARE SERVICES

I N T E R N A L A U D I T S

Performance Review and Evaluation of the Department's Medi-Cal Eligibility Division's Program Review Section

September 2010



Assgn. #10010

**DEPARTMENT OF HEALTH CARE SERVICES
INTERNAL AUDITS**

**PERFORMANCE REVIEW AND EVALUATION
OF THE DEPARTMENT'S
MEDI-CAL ELIGIBILITY DIVISION'S
PROGRAM REVIEW SECTION**

SEPTEMBER 2010

**AUDITOR:
PATRICIA PRASAD**

**ALICIA ENRIQUEZ
CHIEF OF INTERNAL AUDITS**

ASSIGNMENT NO. 10010

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EXECUTIVE SUMMARY

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The Department of Health Care Services' (Department) Medi-Cal Eligibility Division (MCED) requested a performance review of the division's Program Review Section (PRS). PRS conducts reviews to ensure that counties are determining Medi-Cal eligibility in accordance with federal and state laws, regulations, and guidelines.

Our review was limited to PRS and their review of the Medi-Cal eligibility determination for beneficiaries performed at the counties. The objective of our review was to determine if PRS was meeting its goals and objectives as detailed in the Department's strategic and implementation plans and if there were any conditions that could prevent PRS from meeting its goals and objectives. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants and the Institute of Internal Auditors.

Internal Audits noted one condition that, if left uncorrected, could impact PRS' ability to meet its goals and objectives. Currently, PRS uses a database application, called Q5, to accumulate data when conducting their reviews of the county's Medi-Cal eligibility determinations. The version of the Q5 application that PRS is using is based on a Windows 95 operating system. The Department is currently using a Windows XP operating system and soon will be upgrading to Windows 7. The age of the Q5 application is a concern. As the computer language used for the Q5 application becomes obsolete, the support of it becomes limited and may eventually become unavailable.

Our findings were discussed with MCED's management.

BACKGROUND

BACKGROUND

The Medi-Cal Eligibility Division (MCED) is responsible for the development, coordination, clarification, and implementation of Medi-Cal regulations, policy, and procedures to assure that Medi-Cal eligibility is determined accurately and on a timely basis by the 58 county public social services agencies.

MCED's Program Review Section (PRS) conducts reviews of the county agencies to ensure that Medi-Cal eligibility has been properly determined for the beneficiaries. Prior to July 1, 1999, PRS conducted reviews based on a random sample of the entire Medi-Cal Assistance Only (MAO) cases from all 58 counties. The number of cases selected for review at each county was proportionate to its share of the statewide MAO beneficiary population.

In 1999, the Department of Health Services, now known as the Department of Health Care Services (Department), submitted a "Geographic Sampling Plan" proposal to the Health Care Financing Agency, now known as the Centers for Medicare and Medicaid Services (CMS). CMS approved the Department's geographic sampling plan pilot project (GSP) effective July 1, 1999, and annually thereafter.

The GSP allows PRS to limit its sampling universe to include only those counties that have the largest MAO beneficiary population. Only the largest 25 counties; which are comprised of at least 90 percent of the statewide MAO beneficiary population, are reviewed. The remaining 33 counties are subject to periodic case reviews or focus reviews throughout the year.

There are two important elements to the Department participation in the GSP. First, because the Department participates in the GSP, the State of California's (State) error rate has been frozen at 0.6346 percent. This error rate was based on the last time the State's error rate was computed, which was for fiscal year 1997. This was the last time the Department's error rate was computed for traditional Medicaid Eligibility Quality Control (MEQC). Because the error rate has been frozen at 0.6346 percent, the State is held harmless for any monetary findings related to Medicaid eligibility.

The second important element to the Department's participation in the GSP is the staffing level. The Medicaid Regional Memorandum 99-06, dated February 25, 1999, states that States must maintain the same number of quality control staff when implementing the GSP. The initial approval letter from CMS, dated July 29, 1999, states that, "California currently has 18 assigned MEQC staff, who may not be diverted to other duties for the duration of the pilot...."

Even with the current budget situation, CMS expects the Department to maintain the level of MEQC staffing. In their approval letter, dated December 17, 2009, CMS stated that even with state budget reductions which have led to three furloughs per month

through June 30, 2010, they presumed that MEQC staffing will remain sufficient to carry out similar activities in the upcoming year.

STRATEGIC PLAN AND IMPLEMENTATION PLAN CRITERIA

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The Department of Health Care Services' (Department), Medi-Cal Eligibility Division's (MCED), Program Review Section (PRS) is a vital component of the Department's Strategic and Implementation Plans. The Strategic Plan outlines the Department's goals and objectives; whereas the implementation outlines the activities or actions that the Department will undertake to meet its goals and objectives.

The following goal is an excerpt from the Department's Strategic Plan that is specific to MCED and PRS:

- Goal 2: Promote Comprehensive Health Coverage
- Objectives: A. Enroll eligible individuals
- B. Retain eligible persons in health coverage

The following is an excerpt from the Department's implementation plan that is specific to MCED and PRS:

- Goal 2: Promote Comprehensive Health Coverage
- Objective: B. Retain eligible persons in health coverage
- Action: 1. Conduct county eligibility performance review related to timeliness of making initial eligibility determinations, conducting annual redeterminations, processing worker alerts and bridging individuals to other public programs.

Though these are not the only goals, objectives and actions that MCED is responsible for, they are the only ones that pertain to this review.

FINDING AND RECOMMENDATION

FINDING AND RECOMMENDATION

The Department of Health Care Services' (Department) Medi-Cal Eligibility Division's (MCED) Program Review Section (PRS) is meeting the goals and objectives outlined in the Department's Strategic Plan. However, one condition was identified that, if left uncorrected, could impact PRS' ability to meet its goals and objectives. The condition and Internal Audits' recommendation is identified below.

ANTIQUATED DATABASE APPLICATION

Finding 1 The PRS is using a database application that was written for the Windows 95 operating system.

Condition The PRS uses a database application, called Q5, to accumulate data when conducting their reviews of the county's Medi-Cal eligibility determinations. The Q5 application is used to accumulate data. The data is then used to create various reports that are used by PRS, the counties, and the Centers for Medicare and Medicaid Services.

The Q5 application was designed to operate on individual computers using a Windows based operating system. PRS is currently using a version of the Q5 application that was written for Windows 95. (The Department is currently using Windows XP for its operating system and it is moving towards upgrading the operating system to Windows 7.) The age of the Q5 application is a concern. As the computer language of the Windows 95 version of the Q5 application becomes obsolete, the support for it becomes limited and may eventually become unavailable.

Criteria The State Administrative Manual, § 4800 states, in part, that in selecting or developing applications of information technology, each agency shall consider the benefits and costs of maintaining compatibility with other planned and existing applications within the agency.... Such consideration of compatibility shall include computer languages, applications and system software, computer hardware and telecommunications equipment, data formats, and the specific knowledge and skills required of state personnel.

Recommendation **A** MCED should replace the Windows 95 version of the Q5 application to an application that is compatible with the Department's operating system.

AUDITEE'S RESPONSE



Department of Health Care Services
MEMORANDUM

DATE: SEPTEMBER 3, 2010

TO: BRUCE LIM, CHIEF, ACTING
AUDITS AND INVESTIGATIONS
INTERNAL AUDITS

FROM: RENÉ MOLLOWS, MSN, RN, CHIEF (Approved by email)
MEDI-CAL ELIGIBILITY DIVISION

SUBJECT: RESPONSE TO DRAFT REPORT ON THE PROGRAM REVIEW
SECTION (10010)

Thank you for the performance review findings of the Program Review Section (PRS) of the Medi-Cal Eligibility Division (MCED), dated August 23, 2010. As requested, the following is the written response to the Finding and Recommendation section of the report.

Antiquated Database Application

Finding 1 The PRS is using a database application that was written for the Windows 95 Operating System.

Recommendation A

MCED should replace the Windows 95 version of the Q5 application to an application that is compatible with the Department of Health Care Services' (DHCS) operating system.

Response to Recommendation A

The MCED concurs with this finding. The PRS has been working with DHCS' Information Technology Services Division (ITSD) to obtaining the Q5i, an automated internet based quality control data system, associated software, maintenance, and support. The Q5i system will be used to support quality control efforts for the following state and federally mandated programs: Medi-Cal Eligibility Quality Control, County Performance Standards, Payment Error Rate Measurement, and Anti-Fraud/Program Integrity. Departmental approvals have been secured for the purchase of the Q5i and it is anticipated MCED will be able to purchase the Q5i no later than the third quarter of 2010-11. Purchase of this system is contingent upon passage of the State Budget Act.

If you have any questions, please contact Mr. Tom Welch, Chief, Program Review Section, at (916) 552-9445 or via email at tom.welch@dhcs.ca.gov.

AUDITOR'S COMMENTS

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Internal Audits has reviewed Medi-Cal Eligibility Division's (MCED) response to the draft audit report. MCED agrees with the finding and recommendation. MCED's response included their corrective action plan to address the audit finding and recommendation made in this report.